

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE

April 8, 2015
2:00 P.M.
CONFERENCE ROOM 308

SENATE BILL NO. 359 SD 1 PROPOSED HD 1
RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD
SECURITY TAX

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 359 SD 1 Proposed HD 1, relating to the Environmental Response, Energy, and Food Security Tax. The proposed draft removes the revenue distribution from the barrel tax to the environmental response revolving fund beginning July 1, 2015 and removes the sunset of various funds related to the barrel tax. The department supports this bill provided it does not adversely affect the priorities in the Administration's Budget.

In particular, the Department is supportive of the removal of the sunset date on the Agricultural Development and Food Security Special Fund as it would enable the Department to do long-term planning and for using the funding for longer term projects and initiatives that move the State towards greater food security and self-sufficiency.

Thank you for the opportunity to testify on this measure



TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Environmental response, energy, and food security tax

BILL NUMBER: SB 359, Proposed HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Initially, the 5 cent per barrel environmental response tax was established to address oil spills in state waters. It was temporarily increased to \$1.05, much of which was earmarked to numerous special funds, and was scheduled to sunset on 6/30/15. Just last year, the sunset date of the tax was extended to 6/30/30 and now it is proposed that the tax be made permanent. The tax has taken on a life of its own and lacks transparency, and the special funds it feeds do not come under close scrutiny by either lawmakers or the public. This measure provides that the barrel tax should be repealed and all programs funded out of the environmental response tax should be funded through the general fund.

BRIEF SUMMARY: Amends HRS section 243-3.5 to provide that the distribution of the environmental response, energy and food security tax shall be imposed until June 30, 2015.

Appropriates \$3,239,125 in general funds for fiscal 2016 and \$3,327,972 in 2017 for the environmental management (HTH840) for environmental programs and natural resource protection programs.

EFFECTIVE DATE: July 1, 2053

STAFF COMMENTS: The legislature by Act 300, SLH 1993, enacted an environmental response tax of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. The collections of the tax were deposited into the environmental response revolving fund until such time the balance in the fund reached \$7 million at which time the imposition of tax was suspended until the balance in the fund declined to less than \$3 million, at which time the imposition would be reinstated.

The legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that 5 cents of the tax shall be deposited into a newly established environmental response revolving fund; 15 cents shall be deposited into a newly established energy security special fund, 10 cents shall be deposited into a newly established energy systems development special fund; 15 cents shall be deposited into the agricultural development and food security special fund; and the residual of 60 cents shall be deposited into the general fund between 7/1/10 and 6/30/15.

Just last year, Act 107, SLH 2014, extended the sunset date of the \$1.05 environmental response, energy, and food security tax from 6/30/15 to 6/30/30.

The environmental response tax was initially adopted for the purpose of setting up a reserve should an oil spill occur on the ocean waters that would affect Hawaii's shoreline. The nexus was between the oil importers and the possibility that a spill might occur as the oil product was being imported into the state. Because the fund became a cash cow, lawmakers placed other responsibilities on the fund,

including environmental protection, food security, and natural resource protection programs, energy conservation and alternative energy development, air quality, global warming, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department of health.

This measure would stop any distribution of environmental response, energy, and food security tax monies on June 30, 2015. Revenue derived from this tax will then be deposited into the general fund and appropriations to various program areas may be disbursed.

The basic problem with the barrel tax is that it lacks transparency, and because the funds are earmarked they do not come under close scrutiny by either lawmakers or the public. The adoption of this measure would promote transparency in government finances. All revenue in the special funds that were funded by this tax should also be transferred to the general fund.

Digested 4/7/15



COLLEGE OF SOCIAL SCIENCES

HAWAII ENERGY POLICY FORUM

UNIVERSITY OF HAWAI'I AT MĀNOA

Testimony of Sharon Moriwaki
Co-Chair, Hawaii Energy Policy Forum

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, HI Inst. for Public Affairs
Joseph Boivin, Hawai'i Gas
Warren Bollmeier, HI Renewable Energy Alliance
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Leslie Cole-Brooks, HI Solar Energy Assn
Kyle Datta, Ulupono Initiative
Mitch Ewan, UH HI Natural Energy Institute
Jay Fidell, ThinkTech HI, Inc.
Carl Freedman, Haiku Design & Analysis
Sen. Mike Gabbard, HI State Senate
Dan Giovanni, Hawaiian Electric Company
Mark Glick, State Energy Office, DBEDT
Justin Gruenstein, City & Co. of Honolulu
Dale Hahn, Ofc of US Sen Brian Schatz
Michael Hamnett, Research Corp. of the UH
Randy Iwase, Public Utilities Commission
Rachel James, Ofc of US Rep. Tulsi Gabbard
Jim Kelly, Kaua'i Island Utility Cooperative
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Rep Chris Lee, HI House of Representatives
Gladys Marrone, Building Industry Assn of HI
Doug McLeod, Maui County
Stephen Meder, UH Facilities and Planning
Sharon Moriwaki, UH So. Sci. Public Policy Ctr
Ron Nelson, U.S. Defense Energy Support Center
Tim O'Connell, U.S. Dept of Agriculture
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Darren Pai, Hawaiian Electric Company
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, HI Government Employees Assn
Rick Rocheleau, UH HI Natural Energy Institute
Will Rolston, Hawai'i County
Riley Saito, SunPower Systems Corp
Joelle Simonpietri, U.S. Pacific Com. Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kaua'i County
Lance Tanaka, Hawaii Independent Energy
Maria Tome, Public Utilities Commission
Alan Yamamoto, Ofc of Sen Mazie Hirono
Ah Linn Yamane, HI Government Employees Assn

Before the
House Committee on Finance
Wednesday, April 8, 2015 at 2:00 pm in Conference Room 308

IN SUPPORT OF SB359 SD1 (Proposed HD1) Relating to the Environmental Response, Energy, and Food Security Tax

Chair Luke, Vice Chair Nishimoto, and Members of the Committee,

I am Sharon Moriwaki, co-chair of the Hawaii Energy Policy Forum (Forum). The Forum, created in 2002, is comprised of over 40 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as a guide to move Hawaii toward its preferred energy goals and our support for this bill.

SB359 SD1 proposed HD1 would amend **Section 243-3.5, Hawaii Revised Statutes** (the environmental response, energy, and food security tax ("EREFS tax") collected on petroleum products) to: (1) remove the allocation to the environmental response revolving fund, and provide for the programs supported by that fund through a general fund appropriation; and (2) make permanent the agricultural development and food security special fund, the EREFS tax, and the remaining allocations.

In passing Act 73, SLH 2010, Legislature found "that it is in the best interests of Hawaii's people to build the capacity we need to become self-sufficient in our energy and food needs and to protect the health and function of our environment." It also found "that undertaking the important task of energy and food security requires a long-term commitment and the investment of substantial financial resources."

The HEPF strongly believes that a sustained commitment is necessary to achieve the State's goals with regard to food, energy, and the environment. The efforts needed to reduce our dependence on fossil fuels are complex. Capital investments today will dictate the shape of our energy system for decades to come. The EREFS tax has helped us make big strides, and making these provisions permanent will demonstrate the State's commitment to our clean energy future.

The HEPF defers to the Department of Health regarding the provisions affecting the environmental response revolving fund.

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their organizations.

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843




April 8, 2015

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ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer 

The Honorable Sylvia Luke, Chair
and Members
Committee on Finance
House of Representatives
Hawaii State Capitol, Room 308
Honolulu, Hawaii 96813

Dear Chair and Members:

Subject: Senate Bill 359 SD 1: Relating to the Environmental Response, Energy,
and Food Security Tax

We strongly support Senate Bill 359 SD1. This measure will provide the state greater resources to insure our environment and groundwater aquifers are protected from impacts such as leaking underground fuel storage tanks.

The Board of Water Supply is very concerned about leaking underground fuel tank releases on Oahu's irreplaceable groundwater aquifer. Studies on the Red Hill Fuel Storage Facility indicate past releases have already contaminated the groundwater and soil underneath the Facility with petroleum hydrocarbons. Providing the state with greater resources to regulate and manage situations like Red Hill now is prevention that will cost significantly less than the cost to clean up large scale contamination to the aquifer and environment after it occurs.

We support every effort to address this situation today to save our most precious resource – the groundwater aquifer – now and into the future.

Thank you for the opportunity to testify.

Very truly yours,



ERNEST Y.W. LAU, P.E.
Manager and Chief Engineer



**Testimony of Hawai'i Green Growth in Support of SB359 SD1
Relating to the Environmental Response, Energy and Food Security Tax**

House Committee on Finance

8 April 2015, 2:00pm, Room 308

Audrey Newman
Hawai'i Green Growth
P.O. Box 535 Ho'olehua, Hawai'i 96729

Hawai'i Green Growth is a voluntary partnership of more than 60 state, county, federal, business, and non-governmental leaders from energy, food production, natural resources, waste reduction, planning, green jobs, and other sectors who have come together to support a shared statewide commitment and tangible actions toward sustainability and a model green economy.

Aloha Chair Luke, Vice Chair Nishimoto, and Members of the Committee,

Hawai'i Green Growth (HGG) strongly supports SB359 SD1 which increases the Environmental Response, Energy and Food Security Tax allocations for strategic, long-term funding to support critical environmental preparedness and response and solid waste reduction (\$0.15), clean energy transformation (\$0.40), food security programs (\$0.40), and Hawai'i Natural Energy Institute (\$0.10).

The Environmental Response, Energy and Food Security Tax is critical to maintain basic and existing functions of the Department of Health's emergency environmental response programs. It also provides important, ongoing support for the development and implementation of actions that will achieve the Hawai'i Clean Energy Initiative's goal to reduce the State's dependence on imported fossil fuels by 70% in 2030, and the Department of Agriculture programs aimed to at least double local food production by 2030.

SB539 will help advance action on the *Aloha+ Challenge: A Culture of Sustainability – He Nohona 'Ae'olia*, a joint leadership commitment to achieve six sustainability targets by 2030 in the areas of clean energy, local food production, natural resource management, solid waste reduction, smart growth and climate resilience, green jobs and education. The *Aloha+ Challenge* was unanimously endorsed by the 2014 Legislature (SCR 69) and signed by Hawai'i's Governor, Mayors and Office of Hawaiian Affairs. It was also internationally recognized as a model of integrated sustainability at the UN Conference on Small Island Developing States in Samoa.

We ask you to support this bill to make critical investments that will allow these sectors to achieve their goals in increasing Hawai'i's self-sufficiency and provide reliable funding to ensure Hawai'i is ready to respond to environmental emergencies.

Mahalo,

A handwritten signature in black ink that reads "Audrey Newman". The signature is fluid and cursive, with the first name "Audrey" being more prominent than the last name "Newman".

Audrey Newman

Senior Advisor, Hawai'i Green Growth (HGG)

Bringing leaders together to achieve sustainability in Hawai'i & be a model for a green economy

<http://www.hawaiigreengrowth.org>



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April 8, 2015

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON SB 359 SD 1 PROPOSED HD 1
RELATING TO ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY
TAX

Room 308
2:00 PM

Aloha Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,932 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB supports SB 359, SD 1, Proposed HD 1, which removes the revenue distribution from the barrel tax to the environmental response revolving fund beginning July1, 2015 and removes the sunset of various funds related to the barrel tax.

The barrel tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. As an organization opposed to new taxes, HFB took an unusual step by supporting the barrel tax. It was a desperate move by the industry to secure stable funding for Hawaii's agricultural industry.

The barrel tax was originally intended to increase local capacity to grow and produce import replacement products in order to fulfill the State's vision for increased self-sufficiency and sustainability. During the economic downturn, proceeds from this fund were reallocated to balance the budget. We understand that some of the proceeds continued to benefit agriculture.

We respectfully request your strong support of this measure along with consideration of reallocation of funds.



STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
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LATE

**Testimony in SUPPORT of S.B. 359, S.D. 1, Proposed H.D. 1
Relating to the Environmental Response, Energy, and Food Security Tax**

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: **April 8, 2015**
2:00 p.m.

Room Number: 308

Fiscal Implications: Removes the revenue distribution of the 5 cents per barrel tax to the environmental response revolving fund (ERRF) beginning July 1, 2015 and appropriates \$3,239,125 for fiscal year 2015-2016 and \$3,327,972 for fiscal year 2016-2017 in general funds and ceiling for environmental management (HTH 840).

Department Testimony: The Department supports the measure and offers the following comments.

The Department notes that the measure specifies that the general funds and ceiling that will be appropriated for environmental management only mentions (HTH 840) and omits (HTH 849). The Department requests that (HTH 849) be included in the appropriation totals.

For clarity the Department suggests that the ERRF appropriation ceilings be separated out as follows:

<u>FY 16</u>	<u>FY 17</u>
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\$1,924,044	\$1,966,829 - HTH 849 ceiling amounts
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\$1,315,108	\$1,361,143 – HTH 840 ceiling amounts
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\$3,239,152	\$3,327,972 – Total ERRF ceiling amounts for HTH 849 and HTH 840
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Lastly, the Department would also like to point out a technical correction in the bill. The proposed FY 16 appropriation and ceiling amount is stated as \$3,239,125 when it should be \$3,239,152.

Thank you for the opportunity to provide testimony on this important measure.